

Commission on Streamlining Government

Senator Jack Donahue, *Chairman*
Roy O. Martin, *Vice Chair*
Angele Davis, Commissioner of
Administration
Barry Erwin
Brett F. Geymann, Representative
Leonel Hardman
John Kennedy, State Treasurer
Lansing Kolb
Mike Michot, Senator
Jim Morris, Representative



P. O. Box 44481
Baton Rouge, LA 70804
Telephone: (225) 342-2762
or 1-800-205-9873
Facsimile: (225) 342-9784
email: streamline@legis.state.la.us

Commission Staff
Jerry J. Guillot, *Administrator*
Tim Prather, *Coordinator*
Trudy Fourmy, *Secretary*

MINUTES

Wednesday, September 2, 2009

9:00 a.m.

Senate Committee Room A-B

APPROVED: October 20, 2009

I. CALL TO ORDER

A meeting of the Commission on Streamlining Government was held on Wednesday, September 2, 2009, in Senate Committee Room A-B of the State Capitol in Baton Rouge, Louisiana. Senator Donahue, Chairman, called the meeting to order at approximately 9:07 a.m.

II. ROLL CALL

The secretary called the roll and the following was noted:

MEMBERS PRESENT

Senator Jack Donahue
Representative Jim Morris
State Treasurer John Kennedy
Angele Davis, Comm. of Administration
Barry Erwin
Roy Martin
Leonel Hardman
Lansing Kolb
Senator Mike Michot

MEMBERS ABSENT

Representative Brett Geymann

STAFF PRESENT

Jerry Guillot, Chief of Staff
Tim Prather, Coordinator
Trudy Fourmy, Secretary

WITNESSES PRESENT:

Angele Davis, Commissioner of Administration
Leonard Gilroy, Reason Foundation
David Osborne, Public Strategies Group
Barbara Goodson, Division of Administration

Ray Stockstill, OPB
Jerry Jones, Div. of Admin.

III. AGENCY PRESENTATION

DIVISION OF ADMINISTRATION

Senator Donahue first called upon Commissioner Angele Davis to testify before the commission. He asked that she give the presentation for the entire Division of Administration and if needed, one of the agency heads could come up to testify if needed. She gave a brief powerpoint presentation of an overview of the executive administration, office of community development, a financial overview and budget information. She also had the ten top cost savings initiatives which were an outcome based budget, LaGov, Capital Outlay reform, privatization review, elimination and consolidation of activities, fleet management, state property review, cash management, competitive and strategic sourcing and contracting and procurement processes. She stated they were in the process of reinventing their budget process that will help to present a balanced executive budget. She then introduced David Osborne, a national expert in this field, who would provide details and information on how this has been successful. She offered for Mr. Osborne to spend time with the commission members to answer any questions they may have later.

She went on to discuss implementation of an enterprise resource planning project that would replace the current financial system. Currently, there are integration problems with software and they will have to replace most of the system. They have to totally replace the aging Legacy system as it cannot be migrated to a new operating system. She did not have figures as to cost savings on the implementation of the new system but stated that they had done research on other similar implementations that reported cost savings of over \$185.9 million during a ten year period. She added that legislation had been passed to reform the capital outlay process and that they are beginning implementation at this time. She also discussed outsourcing opportunities. She discussed competitive and strategic sourcing.

Senator Donahue inquired about the 644 authorized positions and how many of them were filled. Ms. Goodson stated that most all of the positions were filled. One of the issues with the ERP process was allowing backfill on a temporary nature. She stated that currently they had 635 positions filled and 9 vacant positions, most of which are in the process of being backfilled. The positions are funded but if the positions are not filled, the money is still there and not being utilized.

Mr. Stockstill came forward to answer Senator Donahue's question about monies funded for unfilled positions. Mr. Stockstill assured the commission that agencies could not randomly move monies for positions to other places. There has to be justification in order to do so. The process of anticipated unfunded positions was discussed along with appropriated TOFTE's and non-appropriated FTE's. Higher Education is a non-appropriated FTE. Senator Donahue stated that in relation to streamlining government, when the basic terminology could not be understood, there should be some kind of explanation so it could be understood. He added that it was almost impossible to keep up with because of the technicality. Ms. Davis offered to get that information to the commission. Senator Donahue stated that he had a problem with the indicators being used. He added that he knew that they were working to change them to make the indicators meaningful. Ms. Davis answered that they started

providing training to the cabinet members and the under secretaries to upgrade performance indicators.

Mr. Martin inquired about the receivables and how much of it was from DHH. Ms. Davis responded that a majority of it was DHH and hospitals. It is a rolling number and that created a problem with reporting, as the numbers change from every report. She informed Mr. Martin that 31.95% is DHH, 11.27% is hospitals, 9.18% is universities, and 33.72% is Revenue. From the total amount, the majority is DHH and hospitals as they are the least likely for someone to collect due to the patient paying and they provide care to indigent patients. Mr. Martin also asked about most of the departments taking care of their human resource function. He inquired about the medical leave act policy and if it was being administered consistently. Ms. Davis thought that it was federal law and stated that she did not deal with it. Mr. Martin stated that it was something that if it was not monitored very closely, it would be abused and that it should be an area to be looked into for getting assistance but that we had a good reporting system. Ms. Goodson explained that the state had a good HR system to keep track of this type leave. The agencies all have individual policies but generally the employee is required to fill out FLMA paperwork after three days. Mr. Martin made reference to the website and was under the impression that something should be put on it regarding the hiring freeze. Ms. Davis explained that there were certain areas of employment that have exemptions, such as public safety and health care. In addition, agencies do have the ability to appeal due to excessive attrition. Lastly, he asked if the state tracked employee turnover and the cost of the turnover. Ms. Goodson explained that the budget office tracks attrition on a statewide level but not by agency. Mr. Stockstill added that Civil Service did that, but that they were about a year behind schedule. Currently they are reporting that the turnover rate on average is 14% but they are not taking the replacement of those who left into consideration. The payroll for the state is \$4.6 billion, \$8 billion with benefits. Mr. Martin's point was that this was something that may be off everyone's radar (training costs).

Rep. Morris asked what was being done to not have across-the-board cuts. Ms. Davis answered that they were being much more strategic and would eliminate programs and functions instead of an across-the-board cut as it would only water down the programs provided. Mr. Kennedy asked what the date was on the receivables report she had referred to. The date was June, 2008. Staff was trying to get accurate data for another report. Mr. Kennedy wanted to know what happened to the report once issued. Ms. Davis stated that it goes to the Cash Management Review Board and then it is sent to the legislature. Mr. Kennedy then asked for the basis of the \$1 billion shortfall for next year. Ms. Davis stated it was on a 5 year base line, a majority being medicaid shortfalls, growth in the MFP, inflation across the state, loss of stimulus money, cost of group benefits premium, cost of risk management premium increase and merit raises. With regard to the medicaid shortfall, it comes from a direct result of FMAT. Mr. Kennedy then discussed President Obama's health plan. Mr. Kennedy requested a department-by-department budget so everyone could see what the increase is and where the money is going. Senator Donahue stated that he thought that they were hitting on the right cylinders and reminded Ms. Davis to produce a recap of the number of employees in Louisiana.

Mr. Erwin discussed duplication of services and non-essential services. He stated that they need to look at things on the basis of outcome and determine if they are justified. He was struggling with getting information regarding the performance of the outcome of the programs. Some agencies are still measuring outputs vs. outcomes. He asked if we had a way in the shorter term to look at some of the outcomes of the programs to help make some judgments in advance. Ms. Davis pledged to work with him and thought he could send out forms to the different departments to get information on their programs and the number of clients that they are serving to help the advisory group evaluate and prioritize. She offered him help in looking at agencies that have the biggest cost drivers.

Mr. Hardman stressed that he wanted to address the fact that taxpayers entrust government to make the right decisions and monitor how our money was being used. His concern was that in looking at streamlining, we are looking at a reduction of state employees. Ms. Davis stated that they were not necessarily looking at reduction in employees, but were looking at the programs and services that best achieve the outcomes that taxpayers expect. He had heard that there was money being lost due to contracting out, but yet there are facilities being privatized. When looking at the entire picture, the number of employees have dwindled but the price of government has steadily increased and he could not figure out where the problem was. Ms. Davis contradicted him saying that the price of government has gone down and the trend of employment has gone down. Mr. Hardman wanted to know what areas of employee cutting were being looked at. He did not feel the area of those providing public service should be cut. Ms. Davis stressed that no appointee salary increases have been made since Governor Jindal came to office. She added that merit increases have been given to lower level employees. She stressed that she was not a proponent to privatizing and outsourcing and the only way she will consider it is if it will not cost as much and the services are better.

Rep. Morris asked about temporary employment and how that was handled. Ms. Davis answered that they have a contract with a temporary staffing company and will get the information to the commission. Rep. Morris also asked for the definition of temporary employment and the cost.

When asked questions by Mr. Kolb and Senator Donahue on where a majority of the funds were going, Ms. Davis informed them that the majority was in K-12, higher education and healthcare. Healthcare was \$1.4 billion for 2010 with higher education being \$1.26 billion and the Department of Education being \$1.2 billion. Ms. Davis then suggested that discussions could be had on improving the budget development process at an appropriate time.

Mr. Kennedy stated that he had never been in favor of across-the-board cuts and thought the number of employees could be handled through attrition and cutting layers of management and extending spans of control and reducing clerical employees.

Senator Donahue then proceeded to call out each agency and if there were any questions, the head of that agency could come forward. There were no questions for Planning and Budget. The Office of Facility Planning and Control was next. Jerry Jones came forward to answer questions. He stated that they did not operate and manage all state buildings, only those

assigned to the Division of Administration. They manage the design and construction of all state buildings. They have a number of state leases that other agencies are in. They also do some innovative financing on some projects such as community colleges and Office of Facilities Corporation. Senator Donahue had questions that would be detailed and asked that Mr. Erwin invite them to his advisory group to discuss his department in detail. Ms. Davis added that they were working on a RFP presently that would help in regard to the management of the state buildings.

Mr. Kennedy reminded everyone that at a previous meeting they were notified that in 2003 a state-of-the-art laboratory was built for DEQ at a cost of between \$10-20 million. Later it was discovered that the department was spending \$5 million per year on it and that it could have been outsourced for \$2 million. He asked how this happened and if there was a feasibility study. Mr. Jones answered that at the time the department demanded that they had to have certain things and justified this to the administration which precipitated the size and the function of the facility which drove the size and cost. He stated that he would have to check to see if there was a feasibility study and if so, he would forward a copy. Mr. Jones added that the law was changed recently to require feasibility analysis of every project proposed. In the past there was no feasibility analysis or comparative analysis to rank the importance of projects and it was pure politics that got anyone in the bill. Mr. Jones stressed that they were analyzing projects and if they find unneeded projects in the list, they will recommend to Administration that they do not move the projects forward. Mr. Kennedy then discussed NGO earmarks. He asked for feasibility reports on all of them and stated that all of them needed to be re-analyzed. They then discussed the backlog of projects.

Senator Donahue went through the remaining agencies on the list and there were no questions from the commission. He thanked all the agencies for being present and invited them to attend any meeting they were interested in. He called upon Mr. Osborne, Public Strategies Group, to give his presentation. Mr. Osborne gave a powerpoint presentation with various graphs and discussed outcome based budgeting. His opinion was that the problem was not with revenues declining, but rather with rising costs. He then discussed the rise in health care costs.

Mr. Gilroy then came forward to make his presentation. He also gave a powerpoint presentation on streamlining government through privatization and public/private partnerships. After his presentation he stated that reports were being compiled for the commission regarding information on other states and that he would make them available in the near future. After his presentation, Mr. Kennedy asked if Mr. Gilroy was volunteering his services. Mr. Gilroy confirmed that he was volunteering. Mr. Kennedy and Mr. Gilroy then discussed privatization and discounts through volume.

Senator Donahue announced that the next meeting would be on October 13, at which time recommendations will be received from the advisory groups. He wanted to inform everyone of the process. The forms for the ideas and recommendations approved by the advisory groups should be received at least one week before the meeting. This would allow Mr. McTigue time to go over them, receive feedback from him, and get them ready. Ms. Slaughter reminded the chairman of the meeting planned for September 22 to meet with the

advisory groups. Senator Donahue asked the commission if they needed to meet on that date. Mr. Guillot announced that today was the deadline for the departments and elected officials to submit their reports and the issue would be whether or not the commission would want those departments to come forward with their presentation. Senator Donahue confirmed September 22 as the date to meet. Senator Donahue announced that this date would be the next meeting and he would confirm the departments coming to testify.

IV. ADJOURNMENT

Senator Donahue then thanked each of the commission members for working through the difficult schedule. There being no other business to conduct, Senator Donahue motioned to adjourn; no objection. The meeting adjourned at approximately 12:58 p.m.

Jack Donahue, Chair

Approved: 10-20-09